

**LANCASTER & MORECAMBE
COLLEGE**

**Report and Financial Statements
For the Year Ended 31 July 2021**

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2020/21:

W Johnson	Principal and CEO; Accounting Officer
P France	Vice Principal: Finance & Resources
I Parkinson	Director of Curriculum & Innovation
C Rawes	Director of Apprenticeships and Employer Engagement
M Dodd	Director of Personal Development & Welfare
A Bathgate	Director of HR Strategy & Support

Board of Governors

A full list of Governors is given on pages 9 and 10 of these financial statements.

O Cushen acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial Statements auditors and reporting accountants:

RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

Internal Auditors:

Icca Education Training and Skills Ltd
Charles House, 3rd Floor
Great Charles Street
Queensway
Birmingham
B3 3HT

Bankers:

Barclays Bank Plc
Barclays Business Centre
38 Market Street
Lancaster
LA1 1HR

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

Santander Corporate Banking
298 Deansgate
Manchester
M3 4HH

Solicitors:

Stone King LLP
One Park Row
Leeds
LS1 5HN

Baines Wilson LLP
Unit 3 Lancaster Business Park
10 Mannin Way
Caton Road
Lancaster
LA13SW

Pickford Solicitors
4 Mitre Court
38 Litchfield Road
Sutton Coldfield
B74 2LZ

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

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LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The governing body present their report and the audited financial statements of Lancaster & Morecambe College (the College) for the year ended 31 July 2021.

LEGAL STATUS

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting the affairs of Lancaster & Morecambe College. The corporation was incorporated as Lancaster & Morecambe College on 1 April 1993. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

PURPOSE STATEMENT

“Creating opportunities and building partnerships across our community; empowering individuals, business and the environment to thrive”.

PUBLIC BENEFIT

Lancaster & Morecambe College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 9 to 10.

In setting and reviewing the College’s strategic objectives, the Governing Body has had due regard for the Charity Commission’s guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its purpose statement, the College provides the following identifiable public benefits through the advancement of education:

- Placed-based curriculum;
- Opportunity for all;
- Clear career pathways;
- Safer College Community;
- Supporting local business;
- Lifelong flexible learning.

IMPLEMENTATION OF STRATEGIC PLAN

During the year the Corporation monitored the College against its 2020-2021 Strategic Plan which covered the period from 1 August 2020 to 31 July 2021. The Strategic Plan is updated each year and contains targets across the following core strategies:

- Sustain and develop the College community, its culture, values and wellbeing;
- Provide all students with a high quality learning experience that supports them to aspire, achieve and progress;
- Forge partnerships with businesses, LEAs, schools, universities and local authorities to lead in planning and developing successful local education and skills;
- Providing its students and staff with an outstanding environment in which to learn, teach and work.

FINANCIAL PROSPECTS

The Corporation approved a new five-year Whole College Strategy at its August 2021 meeting covering the period to 31 July 2026. The new strategy included key performance indicators under the headings of People, Place, Productivity, Health and Wellbeing, Recovery and Resilience, Environmental Stewardship.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Strategic Report (continued)

The college aims to achieve a health rating of ‘Good’ and generate a positive EBITDA greater than 1% of income in the year to 31 July 2022. The current ratio will remain above 1.5 and the College will have no long term borrowings.

Financial Objectives

The College’s overriding financial objective is to achieve a financial health grade of ‘Good’.

The College’s key performance indicators, targets and results included:

Key performance indicator	Measure/Target	Actual for 2020/21
EBITDA position	At least 1%	8%
Total borrowing	Restricted to 0% of total annual income	0% of total annual income
Current ratio	At least 1.5	1.9%

The College met all of the above targets, and its grade for financial health was assessed ‘Outstanding’.

FINANCIAL POSITION

FINANCIAL RESULTS

The College generated an operating deficit in the year of £904k (2020 : £723k), with total comprehensive income of £737k (2020 : £5,307k deficit).

At 31 July 2021 the College had accumulated reserves of £6,082k (2020 : £5,345k) and cash balances of £4,009k (2020 : £2,823k). The cash balances will be used to fund investment in IT and also as a contingency for unforeseen risks.

The College has no subsidiary companies.

Tangible fixed asset additions during the year amounted to £820k.

SOURCES OF INCOME

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 ESFA provided 68.7% of the College’s total income.

TREASURY POLICIES AND OBJECTIVES

Treasury management is the management of the College’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

CASH FLOWS AND LIQUIDITY

At £1,998k (2019/20 452k), operating cash inflow was in line with expectations.

The College has no borrowings.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Strategic Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

STUDENT NUMBERS

In 2020/21 the College has delivered activity that has produced £7,124k in funding body main allocation funding (2019/20 : £6,958k). The College had 3,158 (2019/20 : 3,564) funded and 1,107 (2019/20 : 1,311) non-funded students.

CURRICULUM DEVELOPMENTS

The College rigorously reviews and plans its curriculum offering each year on a course by course basis. Individual courses are assessed for quality, fulfilment of learner needs, financial viability and contribution to government targets.

PAYMENT PERFORMANCE

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2020 to 31 July 2021, except where custom and practice has dictated otherwise, the College has endeavoured to pay suppliers within 30 days. The College incurred no interest charges in respect of late payment for this period.

POST BALANCE SHEET EVENTS

There were no post balance sheet events.

FUTURE DEVELOPMENTS

For 2021/22 the College has received funding allocations from the ESFA of £1,526k for its adult provision and £354k for 24+ loan funded learners. Apprenticeships will be funded through a combination of allocations and through the Digital Account Service. The ESFA has also confirmed the College's allocation of £6,025k for 16-18 provision (including some 19-24 learners with high learning support needs).

The College will continue to upgrade its campus based on a full condition survey that was undertaken in 2016/17 and an ESFA commissioned survey in 2019/20. In 2020/21 the College has been notified of the allocation of a capital grant for £411k which has been used to improve the condition of its buildings. The Corporation approved a new five year Property Strategy at its July 2021 meeting which set out plans to improve the overall building condition, improve utilisation of space and to reduce the impact of the College estate on the environment.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main college site and excellent industry standard teaching facilities equipment and IT.

FINANCIAL

The College has £6,082k of net assets (including £13,363k pension liability). It has no debt at all.

The College has cash reserves of £4,009k. The Corporation has resolved to upgrade the College's IT infrastructure whilst retaining sufficient cash balances to maintain appropriate levels of cash days in hand.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Strategic Report (continued)

PEOPLE

The College employs 326 people (expressed as average headcount), of whom 104 are teaching staff.

REPUTATION

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed three times a year by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below are examples of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Failure to meet learner numbers and funding targets. The College prepares a detailed curriculum plan that will deliver learner number and funding targets. Learner number and funding performance against targets are closely monitored by the Senior Management Team and action is taken where necessary.
- Failure to meet target success rates. The College has embedded quality systems and action is taken to address under-performing courses.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Lancaster & Morecambe College has many stakeholders. These include:

- Students;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Education sector funding bodies;
- FE Commissioner;
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Strategic Report (continued)

- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

TRADE UNION FACILITY TIME

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college.

Number of trade union representatives employed during the year ended 31 July 2021	2
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Percentage of time spent on facility time	Number of employees
0%	-
1-50%	2
51-99%	-
100%	-

Total cost of facility time	£3.8k
Total pay bill	£8,108k
Percentage of total bill spent on facility time	0.05%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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EQUALITY AND DIVERSITY

The College has a comprehensive Single Equality Scheme and firmly believes that individuals are entitled to the same rights and responsibilities, regardless of race, colour, gender, age, religious belief, language, disability/learning difficulty, sexuality, culture or marital status.

The College has set targets for equality and diversity within the strategic key performance indicators which are monitored on a frequent basis.

DISABILITY EQUALITY

The College seeks to achieve the objectives set down in the Disability Discrimination Act 2000 as amended by the Special Educational Needs and Disability Acts 2001 and 2005. The college published its Single Equality Scheme in June 2010. This is available on request in Braille, large print, audio tape and is published on the college website and intranet.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Strategic Report (continued)

GENDER EQUALITY

The College has a legal duty to positively promote gender equality and its Single Equality Scheme was published on the college website and intranet in June 2010 and is available on request in Braille, large print and audio tape.

RACE EQUALITY

As a result of the Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2001) the College has developed a comprehensive Single Equality Scheme and procedures to ensure that individuals and communities have equal access to our learning programmes and facilities. This is available on request in Braille, large print or audio tape, and is published on the college website and intranet.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 07 December 2021 and signed on its behalf by:



.....
C Povah
Chair

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. in full accordance with the guidance to colleges from the Association of Colleges Code of Good Governance for English Colleges (“the Code”); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and, therefore, do not comply with the UK Corporate Governance Code. We have reported, however, on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in June 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

THE CORPORATION

The Governors who served on the Board during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees Served	Meeting Attendance
Mrs C Povah	18 September 2018	4 years		Chair w.e.f 1 April 2020 Independent Member	Remuneration Search	93%
Mr I Haines	23 March 2015 (Re-appointed 01 April 2019)	4 years		Vice Chair w.e.f. 1 August 2017 Re-appointed 1 August 2020 Independent Member	Remuneration Search	100%
Mrs T Aye	1 April 2016 (Re-appointed 01 April 2020)	4 years		Independent Member	Remuneration Search	91%
Professor R Barratt	11 December 2019	4 years	19 October 2021	Independent Member	Search	78%
Mr T Cross	23 May 2019 (Amended to 01 September 2019)	4 years		Independent Member	Audit	100%

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Statement of Corporate Governance and Internal Control (continued)

Mrs L Evans	01 April 2016 (Re-appointed 01 April 2020)	4 years	08 November 2021	Staff Member (Support)	Search	100%
Mr J Filizanowski	26 January 2021	2 years		Student Member	Audit	100%
Mr M Hood OBE	22 June 2021	4 years		Independent Member	Not applicable	0%
Mr W Johnson	01 April 2017	Not Applicable		Staff Member (Ex-Officio) (Principal)	Search In Attendance: Audit (November meeting only) Remuneration	100%
Mr P McKenzie	01 March 2018	4 years		Independent Member	Audit	100%
Mr Y Patel	18 September 2018	4 years		Independent Member	Remuneration	100%
Ms L Price	01 November 2019	4 years		Independent Member	Audit	92%
Professor J Taylor	11 December 2019 (Extended to standard 4-year term of office on 26 January 2021)	1 year (3 years)		Independent Member	Not applicable	78%
Mr R Williams	11 December 2019	4 years		Staff Governor (Academic)	Not applicable	89%
Mr S Wood	18 September 2018	4 years		Independent Member	Audit	92%
Oona Cushen acted as Governance Adviser and Clerk.						

The Corporation conducts its business within a revised governance structure, with only Audit, Remuneration and Search Committees. Appeals and Special Committees will only be called as and when required. The Corporation meets monthly, for a minimum of nine meetings per year.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College, against funding targets, proposed capital expenditure, quality matters, teaching and learning performance and personnel-related matters such as health and safety and environmental issues.

Agendas and full minutes of all meetings, except those deemed to be confidential by the Corporation, are available for inspection on the College's website or from the Governance Adviser at:

Lancaster & Morecambe College
Morecambe Road
Lancaster
LA1 2TY

The Governance Adviser maintains a register of financial and personal interests of the Governors, senior and middle managers. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Governance Adviser and Clerk, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Governance Adviser and Clerk are matters for the Corporation as a whole.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

APPOINTMENTS TO THE CORPORATION

Members of the Corporation are appointed for a term of office not exceeding four years, but can be re-appointed for a further four years; eight years maximum (four years maximum for Student Members). In exceptional circumstances, this may be extended, subject to annual review. The Corporation is responsible for ensuring that appropriate training is provided as required.

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole.

SEARCH COMMITTEE

The Search Committee, comprised of four members of the Corporation, which has increased to five members from 01 August 2021, and which is responsible for the selection and nomination of any new members for the Corporation's consideration. The rules and remit of the Search Committee are published on the College's website.

CORPORATION PERFORMANCE

Governors self-assessed their collective performance during the year as good.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2021, the College's Remuneration Committee was comprised of four members of the Corporation, which has increased to five members from 01 August 2021. Members of the Committee are appointed annually by the Corporation through its review of the Standing Orders for the Corporation and its Committees, taking into consideration individual members' skills and expertise. Membership included the Chair of the Corporation, but excluded the Principal, staff and student members. Other members (excluding staff and student members) may attend as observers as appropriate and the Committee may co-opt members onto the Committee, as and when required. There were two scheduled meetings of the Committee, held on 06 October 2020 and 09 March 2021, with target attendance set at 65% for committees that meet fewer than three times per year. Membership and attendance are set out in the table below; both the Principal and Governance Adviser and Clerk were in attendance at both meetings.

	20/21 Possible Attendance	20/21 Actual Attendance	20/21 Attendance %
Remuneration Committee Meeting: 06 October 2020 and 09 March 2021			
Thelma Aye	2	2	100%
Ian Haines	2	2	100%
Yak Patel	2	2	100%
Claire Povah	2	1	50%
Average College Attendance	8	7	88%

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

The Committee's sole responsibilities are to consider and advise the Corporation on the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and the Governance Adviser and Clerk, including, where the Governance Adviser and Clerk is, or is to be appointed as, a member of staff, the Governance Adviser and Clerk's appointment, grading, suspension, dismissal and determination of pay in the capacity of a member of staff. In carrying out its responsibilities, the Committee takes full account of the Association of Colleges 'Senior Postholder Remuneration Code', which was formally adopted by the Corporation on 24 September 2019. In addition, the Committee will also ensure that objectives are set annually for senior postholders and the Chair of the Remuneration Committee, along with the Chair of the Corporation, undertakes an annual and mid-year review of performance against these objectives.

Senior postholders are appointed by the Corporation. Lancaster & Morecambe College has three designated senior posts:

- Governance Adviser and Clerk
- Principal and Chief Executive
- Vice Principal Finance and Resources and nominated Deputy Principal

The Corporation, through its Remuneration Committee, has a responsibility to ensure that senior postholders receive fair, appropriate and justifiable levels of remuneration, whilst recognising the importance of recruiting and retaining the best staff to deliver the College's strategic aims and the best outcomes for students, the community and employers. At its meeting held on 20 October 2020, the Corporation approved the introduction of the Senior Postholder Remuneration Policy, which brings together the current existing guidance and practice in use by the Remuneration Committee and Corporation, to ensure decisions taken in relation to senior postholder remuneration demonstrate transparency, fairness, equality, affordability and value for money, reflect the level of responsibility and skills required and are in line with the requirements of the Association of Colleges 'Senior Postholder Remuneration Code'.

The Corporation, through its Remuneration Committee will review senior postholder salaries annually against sector benchmarks at both regional and national level. Comparative pay data was drawn from the Association of Colleges' Senior Pay Survey 2020, published in May 2021. The census date was 31 July 2020 and is based on responses from 166 colleges (70% (117) of those being general further education colleges). Comparison data, based on income bands, relating to all colleges nationally and all colleges in the North region, is considered by the Committee. The median salary point (North) is the previously approved benchmark comparison for Lancaster and Morecambe College. The general staff pay award is normally reviewed by the Senior Management Team with a proposal to Governors; senior postholders and members of the Senior Management Team are usually awarded the same cost of living award as other staff, although this does not have to be the case.

In regards to staff recruitment and retention, the College operates in a very competitive environment; there are currently seven secondary schools and two universities operating within the locality, as well as three general further education colleges and one land based college within a 30-mile radius. Staff retention and recruitment can be challenging, particularly against higher local administrative salaries (particularly universities) and higher teaching salaries in the school sector. The College does, however, continue to benefit from a stable, dedicated and well established staff team.

When considering any whole College pay award, the Corporation is mindful of the balance between recruiting, retaining and rewarding the best staff possible to deliver the best outcomes for students, society and the economy whilst ensuring financial sustainability, value for money and effective use of resources. The College does not operate any performance related pay or bonus schemes, nor does it provide any other additional benefits for senior staff that are not also available to all staff. The College offers access to either the Teachers' Pension Scheme or the Local Government Pension Scheme, whichever is the relevant scheme to the nature of employment.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

In carrying out its responsibilities, the Committee takes full account of the Association of Colleges 'Senior Postholder Remuneration Code', alongside the following factors:

- Equality, diversity and inclusion, ensuring there are no biases pertaining to gender or any other protected characteristic.
- The context in which the College operates, its market position and any 'market forces' that would cause salaries to deviate from national benchmarks.
- The context of the College's approach to rewarding all its staff, including how senior postholder salaries compare with median average earnings at the College.
- The College's ability to recruit and retain key senior staff, ensuring any salary offer is fair and competitive, particularly where specialist skills or expertise are required.
- External comparison with salaries from similar colleges in the sector (through the data provided in the Association of Colleges' Annual Pay Survey at the median point).
- Affordability and the overall financial health of the College.
- Decision making processes that are fair, transparent and accountable.
- Any cost of living / inflation increases.
- Changes in the level of responsibility.

Severance Payments

Any severance payment made to a senior postholder will be reasonable, appropriate and justifiable. Where severance payments are under consideration, advice will be taken from the external auditor to ascertain the legitimacy of any proposed payment. In line with the funding agreement, the Corporation must draw any such payments to the attention of the College's regularity auditor. There have been no severance payments for senior postholders in 2020/21.

Income Derived from External Activities

The College recognises that it is important that staff represent the College on various bodies and boards and carry out academic and civic responsibilities at other organisations, e.g. non-executive director roles. The College includes an exclusivity of service clause in its employment contracts, which requires all staff to devote their full time, attention and abilities to their duties during their working hours and to act in the best interests of the Corporation at all times. Accordingly, senior postholders must not, without the written consent of the Corporation, undertake any employment or engagement, whether remunerated or not, that might interfere with the performance of their duties or conflict with the interests of the Corporation, including any which commenced prior to their appointment. Permission may be refused if doing so would have an adverse effect on their ability to perform their College duties or would result in a conflict of interests. Remuneration for any private work completed outside of College time and without using College resources, will belong to the individual, otherwise the remuneration must be paid to the College.

The Principal serves on the following external bodies in his capacity as principal of Lancaster & Morecambe College:

- Chair of The Lancashire Colleges (TLC)
- The Lancashire Colleges (TLC) representative on Lancashire County Council's Lancashire Education Partnership Board.
- The Lancashire Colleges (TLC) representative on the Lancashire Local Resilience Forum Education Subgroup (in response to the Covid-19 national crisis).
- Lancashire Further Education Representative on the Lancashire Violence Reduction Unit
- Director and Ambassador for the Lancaster & District Chamber of Commerce.
- Chair and founding partner of the Lancaster & District Skills Forum.
- Chair and founding partner of the Lancaster Responsible Business Network.
- Executive Group Member and Chair of Morecambe Bay Curriculum Steering Group.
- Partner Group Member for Eden Project North.
- Member of the Lancashire Local Enterprise Partnership (LEP) Skills Hub - Nuclear Skills Round Table.
- Chair of the Morecambe Business Improvement District (BID) Multi-Agency Tackling Anti-Social Behaviour Group.
- LMC representative on the National Energy Skills Consortium (College and Universities).

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

- LMC representative on the NHS Morecambe Bay Anchor Collaborative Steering Group.
- Member of Lancashire Local Skills Improvement Plan (LSIP) Board, representing North and West Lancashire colleges).
- LMC representative on Lancashire Strategic Development Fund (SDF) Board.

None of the senior postholders received any remuneration or expenses from external bodies for the year ended 31 July 2021.

The Principal is the College's Accounting Officer and is the highest paid member of staff. In accordance with the Association of Colleges 'Senior Postholder Remuneration Code', the Corporation is required to disclose the current value of the pay multiple of the Principal's earnings against the median of all staff. The census data is 31 March 2021, using the same data set as for the Gender Pay Gap reporting.

- Basic salary divided by the median pay of all other Corporation employees and total emoluments divided by the median pay of all other Corporation employees (all on a full-time equivalent basis).

The College's median pay for all other Corporation employees in 2020/21 was £22,437 per annum.

	2020/21 (£s)	Pay Multiple of Staff Median
Basic Salary	101,125	4.5
Sub Total	101,125	
Pension Costs	23,946	
Total	125,071	5.6

All expenses paid to senior postholders are solely in reimbursement of expenses incurred in furtherance of the business of the College and comply with the College's financial regulations. Senior postholders' expenses claimed from Lancaster and Morecambe College for the year ended 31 July 2021 are:

- Principal - £150.80
- Vice Principal Finance and Resources – £0.00
- Governance Adviser and Clerk - £0.00

AUDIT COMMITTEE

The Audit Committee comprised of four members of the Corporation (excluding the Chair of the Corporation, Staff Governors and the Accounting Officer), which has increased to five members from 01 August 2021. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least on a termly basis and provides a forum for reporting by the College's internal auditors, financial statements auditors and regularity auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal audits and financial statements and regularity auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

TRAINING AND DEVELOPMENT

The Corporation has its own training budget, which enables Governors and the Governance Adviser and Clerk to have access to Continued Professional Development (CPD). In addition, a full induction programme is offered to all new Governors. From 2021/22 and in compliance with the Education and Skills Funding Agency's Funding Agreement, the Corporation is required to report on activities undertaken over the year to develop Governors and the Governance Adviser and Clerk.

In 2020/21, the Chair of the Corporation undertook the following specific training and development:

- Education and Training Foundation's Chair's Leadership Programme, in association with the Oxford Said Business School.
- Association of Colleges Principals' and Chairs' Forums for strategic updates within the FE sector.

In 2020/21, individual Governors undertook the following training and development activities:

- Lancashire Local Authority Prevent training
- Lancashire Local Enterprise Partnership presentation on labour market intelligence for Lancaster and Morecambe to better understand the future workforce requirements.
- Attendance at College self-assessment validation meetings for all curriculum teams and support service sections, to gain in-depth understanding of overall performance and areas for improvement.
- Attendance at College Assessment Boards, for both classroom-based provision and apprenticeships, to gain in-depth understanding of the monitoring of learner progress and to see this evidence at subject level.
- AoC North West Governance Conference.
- AoC Annual Conference.
- AoC Climate Change and the Green Economy Conference, specifically to link with the College's new strategy on sustainability and reducing carbon emissions.
- AoC North West Governors Induction programme.
- AoC/Unloc Student Governor training.
- AoC Webinars:
 - FE Commissioner Launch; Good Practice Guide for College Management Accounts
 - Introduction to FE Finance and Funding
 - Understanding our Unconscious Bias; What Will Enable Success

In addition, all Governors are provided with access to the online training modules provided by the Education and Training Foundation (ETF). All Governors are required to undertake, at least every three years, mandatory training on safeguarding, equality, diversity and inclusion, anti-bribery and health and safety.

Throughout 2020/21, the Governance Adviser and Clerk undertook the following training and development activities:

- Education and Training Foundation's (ETF) Governance Professionals' Development Programme, in association with the Oxford Said Business School.
- Lancashire Local Authority Prevent training.
- LMC Oversight and Management of Covid-19
- LMC safeguarding and Prevent updates
- Lancashire Local Enterprise Partnership presentation on Labour Market Intelligence for Lancaster and Morecambe.
- National Cyber Security Centre webinar; Cyber Security for Boards.
- AoC Climate Change and Green Economy Conference
- Environmental Association for Universities and Colleges (EAUC) webinar; Streamlined Energy and Carbon Reporting (SECR)
- AoC North West Governance Professionals meetings (including regular sector updates and briefings)
- AoC Governance Conference
- AoC Governance Professionals Conference
- AoC North Governance Conference

Statement of Corporate Governance and Internal Control (continued)

- AoC Annual Conference
- AoC Webinars;
 - Labour Market Observatory Series – Management Practices in Further Education and Sixth Form Colleges
 - Introduction to FE Finance and Funding
 - FE Commissioner Launch – Good Practice Guide for College Management Accounts
 - Communicating in a Crisis – Best Practice for Colleges
 - Tips to Ensure your Brainstorm Doesn't Become a Sigh-Clone
 - Understanding Our Unconscious Bias – What Will Enable Success
 - Behaviours of an Inclusive Mindset
 - Being Kind to Yourself – the Importance of Self-Compassion, Taking Breaks and Sleep

INTERNAL CONTROL

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system, however, is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Lancaster & Morecambe College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lancaster & Morecambe College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

Lancaster and Morecambe College has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency's (ESFA) Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans and a programme of assurance are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Audit Committee was provided with regular internal audit reports on this assurance activity.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the senior managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditors and the reporting accountant for regularity assurance in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 07 December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

GOING CONCERN

The College has a strong cash position, with more than 4 month's cash in hand at the year end and it currently has no borrowings. It is forecasting to generate a positive EBITDA in 2021/22 and maintain an ESFA financial health rate of 'Good'.

During the year the UK entered a further period of lockdown due to the COVID-19 pandemic. The College commenced remote teaching and learning throughout the lockdown and, in line with Government policies, the College is now fully open to all learners. We have taken a number of measures to monitor and mitigate the effects of COVID-19, putting in rigorous health and safety measures for our students and staff and securing the supply of materials that are essential to our safe operations. Whilst there has been an operational impact on the College, there has not been any significant financial impact.

Consequently, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Corporate Governance and Internal Control (continued)

Approved by order of the members of the Corporation on 07 December 2021 and signed on its behalf by:



C Povah
Chair



W Johnson
Accounting Officer

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the College's financial memorandum. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with the ESFA.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Approved by order of the members of the Corporation on 07 December 2021 and signed on its behalf by:



C Povah
Chair



W Johnson
Accounting Officer

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation, who act as trustees for the charitable activities of the College, are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 7th December 2021 and signed on its behalf by:



C Povah
Chair

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Independent Auditors' Report to the Corporation of Lancaster & Morecambe College

Opinion

We have audited the financial statements of Lancaster & Morecambe College (the "College") for the year ended 31 July 2021 which comprise the college statements of comprehensive income, the college balance sheets, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Independent Auditors' Report to the Corporation of Lancaster & Morecambe College (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Department for Education requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of Lancaster & Morecambe College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 20, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Independent Auditors' Report to the Corporation of Lancaster & Morecambe College (Continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the College operates in and how the college are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the college is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and income recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and inspecting funding agreements and allocations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 28 October 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK AUDIT LLP
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

Date: 15/12/21

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
INCOME			
Funding body grants	2	7,754	7,402
Tuition fees and education contracts	3	2,385	2,969
Other grants and contracts	4	421	428
Other income	5	719	565
Investment income	6	8	16
TOTAL INCOME		11,287	11,380
EXPENDITURE			
Staff costs	7	8,108	7,859
Other operating expenses	8	2,930	3,116
Depreciation	11	934	947
Interest and other finance costs	9	219	181
TOTAL EXPENDITURE		12,191	12,103
DEFICIT BEFORE TAX		(904)	(723)
Taxation	10	-	-
DEFICIT FOR THE YEAR		(904)	(723)
Actuarial (loss)/gain in respect of pension scheme	21	1,641	(4,584)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		737	(5,307)

The Income and Expenditure Account is in respect of continuing activities.

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

College Statement of Changes in Reserves

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
BALANCE AT 1 AUGUST 2019	4,617	6,035	10,652
(Deficit) from the income and expenditure account	(723)	-	(723)
Other comprehensive income	(4,584)	-	(4,584)
Transfer between revaluation and income and expenditure reserves	194	(194)	-
	(5,113)	(194)	(5,307)
BALANCE AT 31 JULY 2020	(496)	5,841	5,345
(Deficit) from the income and expenditure account	(904)	-	(904)
Other comprehensive income	1,641	-	1,641
Transfer between revaluation and income and expenditure reserves	194	(194)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	931	(194)	737
BALANCE AT 31 JULY 2021	435	5,647	6,082

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

BALANCE SHEET AS AT 31 JULY

	Notes	2021 £'000	2020 £'000
NON CURRENT ASSETS			
Tangible assets	11	21,588	21,702
		21,588	21,702
CURRENT ASSETS			
Trade and other receivables	12	686	720
Cash and cash equivalents	16	4,009	2,823
		4,695	3,543
CURRENT LIABILITIES			
Creditors – amounts falling due within one year	13	(2,508)	(1,521)
		2,187	2,022
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES			
Creditors – amounts falling due after more than one year	14	(4,330)	(4,317)
		23,775	23,724
PROVISIONS FOR LIABILITIES			
Defined benefit pension schemes	15	(13,363)	(14,062)
		6,082	5,345
TOTAL NET ASSETS			
UNRESTRICTED RESERVES			
Income and expenditure account		435	(496)
Revaluation reserve		5,647	5,841
		6,082	5,345
TOTAL UNRESTRICTED RESERVES			
		6,082	5,345
TOTAL RESERVES			
		6,082	5,345

The financial statements on pages 24 to 47 were approved and authorised for issue by the Corporation on 07 December 2021 and were signed on its behalf on that date by:



C Povah
Chair



W Johnson
Accounting Officer

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

STATEMENT OF CASH FLOWS

	Notes	2021 £'000	2020 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) for the year		(904)	(723)
ADJUSTMENT FOR NON-CASH ITEMS			
Depreciation		934	947
Decrease/(Increase) in debtors		34	(200)
Increase/(Decrease) in creditors due within one year		987	(347)
Increase/(Decrease) in creditors due after one year		13	(124)
Pension costs less contributions payable		942	915
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Investment income		(8)	(16)
Interest payable		-	-
NET CASH FLOW FROM OPERATING ACTIVITIES		1,998	452
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income		8	16
Payments made to acquire fixed assets		(820)	(38)
		(812)	(22)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		-	-
		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR		1,186	430
Cash and cash equivalents at beginning of the year		2,823	2,393
Cash and cash equivalents at end of the year		4,009	2,823

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts

1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

General information

Lancaster & Morecambe College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 10. The nature of the College's operations is set out in the Members' Report.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020-21 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Members Report. The financial position of the College, its cash flow and liquidity are presented in the Financial Statements and accompanying Notes. The College has a strong cash position, with more than 4 month's cash in hand at the year end and it currently has no borrowings. It is forecasting to generate a positive EBITDA in 2021/22 and maintain an ESFA financial health rate of 'Good'.

During the year the UK entered a further period of lockdown due to the COVID-19 pandemic. The College commenced remote teaching and learning throughout the lockdown and, in line with Government policies, the College is now fully open to all learners. We have taken a number of measures to monitor and mitigate the effects of COVID-19, putting in rigorous health and safety measures for our students and staff and securing the supply of materials that are essential to our safe operations. Whilst there has been an operational impact on the College, there has not been any significant financial impact.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Other income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Lancashire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Short Term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the college of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

On adoption of FRS 102, the college followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

Motor vehicles and general equipment	-	4 years
Computer equipment	-	4 years
Other assets	-	10 years
Assets in course of construction	-	Nil

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Leased assets

Finance leased assets

Leasing agreements which transfer to the Group substantially all the benefits and risks and rewards incidental to ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments as determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset and assessed for impairment losses in the same way as for owned assets.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

Operating leases

All other leases are operating leases and annual rents are charged to comprehensive income on a straight-line basis over the lease term.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so it can only recover around 3% of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when:

- the College has a present legal or constructive obligation as a result of a past event;
- it is probable that a transfer of economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements management have made the following judgements:

- Determine whether leases entered into by the College, either as a lessor or a lessee, are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Tangible fixed assets are depreciated over their expected useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 FUNDING BODY GRANTS

	2021 £'000	2020 £'000
Recurrent Grants		
Education and Skills Funding Agency - adult	1,473	1,356
Education and Skills Funding Agency – 16-18	5,651	5,579
Provision for repayment of Adult funding in previous year no longer required to be repaid – Education and Skills Funding Agency	-	23
Specific Grants		
Releases of government capital grants	125	124
Teachers' Pension Scheme contribution grant	213	155
Other Funds	292	165
TOTAL	7,754	7,402

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

3 TUITION FEES AND EDUCATION CONTRACTS

	2021 £'000	2020 £'000
Adult education fees	67	83
Apprenticeship contracts	1,673	2,051
Fees for FE loan supported courses	287	328
Fees for HE loan supported courses	57	95
	<hr/>	<hr/>
Total tuition fees	2,084	2,557
Education contracts	301	412
	<hr/>	<hr/>
TOTAL	2,385	2,969
	<hr/> <hr/>	<hr/> <hr/>

4 OTHER GRANTS AND CONTRACTS

	2021 £'000	2020 £'000
European Commission	421	428
	<hr/>	<hr/>
TOTAL	421	428
	<hr/> <hr/>	<hr/> <hr/>

5 OTHER INCOME

	2021 £'000	2020 £'000
Catering	120	164
Post 16 High Needs Student Funding	274	199
Other income (including Exam Fees, Nursery Fees and Sales from Training Activities)	325	202
	<hr/>	<hr/>
TOTAL	719	565
	<hr/> <hr/>	<hr/> <hr/>

6 INVESTMENT INCOME

	2021 £'000	2020 £'000
Other interest receivable	8	16
	<hr/>	<hr/>
TOTAL	8	16
	<hr/> <hr/>	<hr/> <hr/>

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

7 STAFF COSTS

The average number of persons (including key management personnel) employed by the College during the year, expressed as average headcount and calculated on a monthly basis, was:

	2021 Number	2020 Number
Teaching staff	104	114
Non teaching staff	222	229
TOTAL	326	343

Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	5,784	5,537
Social security costs	452	437
Other pension costs	1,872	1,868
	8,108	7,842
Restructuring costs	-	17
TOTAL	8,108	7,859

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which include the Principal, Vice Principal: Finance & Resources, Director of Curriculum & Innovation, Director of Apprenticeships & Employer Engagement, Director of Personal Development & Welfare and Director of HR Strategy & Support.

Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff

The number of key management personnel including the Accounting Officer was:	6	7
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LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

7 STAFF COSTS (CONTINUED)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2021 Number	2020 Number	2021 Number	2020 Number
£50,001 to £55,000	4	4	-	-
£80,001 to £85,000	1	1	-	-
£95,001 to £100,000	-	1	-	-
£100,001 to £105,000	1	-	-	-
	6	6	-	-

Key management personnel, including Accounting Officer, compensation is made up as follows:

	2021 £'000	2020 £'000
Salaries – gross of salary sacrifice and waived emoluments	398	430
Employer's National Insurance	48	51
	446	481
Pension contributions	84	78
Total key management personnel compensation	530	559

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2021 £'000	2020 £'000
Salaries	101	100
Pension contributions	24	23
Total	125	123

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

7 STAFF COSTS (CONTINUED)

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple.

	2021 £'000	2020 £'000
Principal's basic salary as a multiple of the median of all staff	4.5	4.5
Principal's total remuneration as a multiple of the median of all staff	5.6	5.5

8 OTHER OPERATING EXPENSES

	2021 £'000	2020 £'000
Teaching costs	905	1,240
Non teaching costs	1,361	1,248
Premises costs	664	628
TOTAL	2,930	3,116

Other operating expenses include:

	2021 £'000	2020 £'000
Auditors' remuneration:		
Financial statements audit	27	17
Internal audit	10	6
Other services provided by the financial statements auditors	1	5
Operating leases – other equipment	18	18
(Gains)/Losses on foreign exchange	22	5

9 INTEREST PAYABLE AND OTHER FINANCE COSTS

	2021 £'000	2020 £'000
Net interest on defined pension liability (note 21)	219	181
TOTAL	219	181

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

10 TAXATION

The members do not believe the College is liable for any corporation tax arising out of its activities during the year (2020- fnil).

11 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 August 2020	31,250	8,399	-	39,649
Additions	307	132	381	820
Disposals	-	(47)	-	(47)
Transfer	-	-	-	-
At 31 July 2021	31,557	8,484	381	40,422
Depreciation				
At 1 August 2020	9,941	8,006	-	17,947
Charge for the year	659	275	-	934
Disposals	-	(47)	-	(47)
At 31 July 2021	10,600	8,234	-	18,834
Net book value at 31 July 2021	20,957	250	381	21,588
Net book value at 31 July 2020	21,309	393	-	21,702

Inherited land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Mr J J Worsnop ARICS, an employee of the Valuation Office Agency, a firm of Independent Chartered Surveyors. Other tangible fixed assets inherited from the Local Education Authority at Incorporation have been valued by the Corporation on a depreciated replacement cost basis.

12 TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	105	201
Prepayments and accrued income	449	448
Amounts due from the ESFA	132	71
TOTAL	686	720

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade payables	520	175
Other taxation and social security	240	220
Amounts due to the ESFA	226	140
Accruals and deferred income	1,383	862
Deferred income – government capital grants	139	124
	<hr/>	<hr/>
TOTAL	2,508	1,521
	<hr/> <hr/>	<hr/> <hr/>

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021 £'000	2020 £'000
Deferred income – government capital grants	4,330	4,317
	<hr/>	<hr/>
TOTAL	4,330	4,317
	<hr/> <hr/>	<hr/> <hr/>

15 PROVISIONS

	Defined benefit obligations £'000	Total £'000
At 1 August 2020	14,062	14,062
Expenditure in the period	(571)	(571)
Additions in the period	(128)	(128)
	<hr/>	<hr/>
TOTAL	13,363	13,363
	<hr/> <hr/>	<hr/> <hr/>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

16 CASH AND CASH EQUIVALENTS

	At 1 August 2020 £'000	Cash flows £,000	Other changes £,000	At 31 July 2021 £,000
Cash and cash equivalents	2,823	1,186	-	4,009
TOTAL	2,823	1,186	-	4,009

The cash balance includes £1m held on deposit in a 365 day notice account.

17 CAPITAL AND OTHER COMMITMENTS

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	-	-

18 LEASE OBLIGATIONS

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	2021 £'000	2020 £'000
Other Equipment		
Not later than one year	18	18
Later than one year and not later than five years	8	26
Total	26	44

19 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

20 FINANCIAL INSTRUMENTS

The College has the following financial instruments:

	2021 £'000	2020 £'000
Financial Assets		
Debt instruments measured at amortised cost	237	272
	<u>237</u>	<u>272</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	520	175
	<u>520</u>	<u>175</u>

21 DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are multi-employer defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2019. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

	2021 £'000	2020 £'000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	581	554
Local Government Pension Scheme:		
Contributions paid	568	580
FRS 102 (28) charge	<u>723</u>	<u>734</u>
Charge to the Statement of Comprehensive Income	<u>1,291</u>	<u>1,314</u>
Total Pension Cost for Year	<u>1,872</u>	<u>1,868</u>

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

21 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The college is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the college has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The college has set out above the information available on the plan and the implications for the college in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion. Discount rate is 2.4% in excess of CPI.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2019/20). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £581,000 (2020: £554,000)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11) the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

21 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

LOCAL GOVERNMENT PENSION SCHEME

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Lancashire County Council. The total contributions made for the year ended 31 July 2021 were £762,000, of which employer's contributions totalled £568,000 and employees' contributions totalled £194,000. The agreed contribution rates for future years are 18.3% for employers and between 5.5% and 11.4% for employees, depending on salary. The College has been paying a further deficit recovery payment of £717 per month from August 2020 to March 2021 and £742 per month from April to July 2021.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

Principal Actuarial Assumptions

	At 31 July 2021	At 31 July 2020
Rate of CPI inflation	2.6%	2.3%
Rate of increase in salaries	4.1%	3.8%
Rate of increase for pensions in payment	2.7%	2.4%
Discount rate for scheme liabilities	1.6%	1.6%
Commutations of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2021	At 31 July 2020
<i>Retiring today</i>		
Males	22.4	22.3
Females	25.1	25.0
<i>Retiring in 20 years</i>		
Males	23.9	23.8
Females	26.9	26.8

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

21 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The College's share of the assets in the plan at the balance sheet data and the expected rates of return were:

	Fair Value at 31 July 2021 £'000	Fair Value at 31 July 2020 £'000
Equities	15,036	11,913
Government Bonds	-	-
Other Bonds	1,578	1,802
Property	2,978	3,553
Cash	625	470
Other	9,558	8,385
	<hr/>	<hr/>
Total fair value of plan assets	29,775	26,123
	<hr/>	<hr/>
Actual return on plan assets	3,649	(597)
	<hr/>	<hr/>

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2021 £'000	2020 £'000
Fair value of plan assets	29,775	26,123
Present value of plan liabilities	(43,138)	(40,185)
	<hr/>	<hr/>
Net Pensions (liability) (Note 15)	(13,363)	(14,062)
	<hr/>	<hr/>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

Amounts included in staff costs

	2021 £'000	2020 £'000
Current service cost	1,294	1,327
Past service cost	-	117
	<hr/>	<hr/>
Total	1,294	1,444
	<hr/>	<hr/>

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

21 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Amounts included in interest and other finance costs

	2021 £'000	2020 £'000
Pension finance costs	219	181
	219	181

Amount recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Return on pension plan assets	3,230	(1,488)
Experience gains and losses arising on defined benefit obligations	(1,589)	(3,096)
Amount recognised in Other Comprehensive Income	1,641	(4,584)

Movement in net defined benefit (liability)/asset during year

	2021 £'000	2020 £'000
Net defined (liability) in scheme at 1 August	(14,062)	(8,563)
Current Service cost	(1,294)	(1,444)
Net interest on the defined (liability)	(219)	(181)
Employer contributions	571	710
Actuarial (loss)/gain	1,641	(4,584)
Net defined (liability) at 31 July	(13,363)	(14,062)

Changes in the present value of defined benefit obligations

	2021 £'000	2020 £'000
Defined benefit obligations at start of period	40,185	35,459
Current Service cost	1,269	1,067
Interest cost	637	774
Contributions by scheme participants	187	178
Past Service cost	-	117
Changes in financial assumptions	1,589	3,096
Curtailements	7	243
Estimated benefits paid	(736)	(749)
Net defined benefit (liability) at 31 July	43,138	40,185

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

21 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Changes in fair value of plan assets

Fair value of plan assets at start of period	26,123	26,896
Interest on plan assets	418	593
Return on plan assets	3,230	(1,488)
Administration expenses	(18)	(17)
Employer contributions	571	710
Contributions by scheme participants	187	178
Estimated benefits paid	(736)	(749)
	<hr/>	<hr/>
Fair value of plan assets at end of period	29,775	26,123
	<hr/>	<hr/>

These accounts show a past service cost of £0k in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 0% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Notes to the Accounts (continued)

22 RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £164; 1 governor (2019/20: £1,477; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Apart from Staff Governors, 1 Governor has received, and 2 have waived remuneration for exam invigilation from the College during the year (2019/20: None).

The College is one of fourteen members of The Lancashire Colleges Limited, a company limited by guarantee and registered in England and Wales. The principal activity of the Lancashire Colleges Limited is to co-ordinate bids for ESF and other external funding. The College's investment is not considered material to consolidate.

During the year ended 31 July 2021 the College received income of £nil k (2019/20: £nil k) and paid £5k (2019/20: £5k) to the Lancashire Colleges Limited. As at 31 July 2021 £nil k (2019/20: nil k) was outstanding from The Lancashire Colleges Limited.

23 AMOUNTS DISBURSED AS AGENT

Learner Support Funds

	2021 £'000	2020 £'000
Balance unspent as at 1 August, included in creditors	140	-
Funding body grants	272	253
	412	253
Disbursed to students	257	108
Administration costs	13	5
	270	113
Balance unspent as at 31 July, included in creditors	142	140

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Independent Reporting Accountant's Report on Regularity to the Corporation of Lancaster & Morecambe College and the Secretary of State for Education acting through Education and Skills Funding Agency

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 28 October 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Lancaster & Morecambe College during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which the ESFA has other assurance arrangements in place.

We are independent of the Lancaster & Morecambe College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of the Corporation of Lancaster & Morecambe College for regularity

The Corporation of Lancaster & Morecambe College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Lancaster & Morecambe College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Independent Reporting Accountant's Report on Regularity to the Corporation of Lancaster & Morecambe College and the Secretary of State for Education acting through the Department for Education (Continued)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Lancaster & Morecambe College and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Lancaster & Morecambe College and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Lancaster & Morecambe College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.



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Date: 15/12/21.